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UNCLAS SECTION 01 OF 02 CARACAS 000397

SENSITIVE  
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [PREL](#) [PGOV](#) [VE](#)

SUBJECT: VENEZUELA: ACCESS TO CADIVI DOLLARS TIGHTENS

REF: A. CARACAS 368

[B](#). CARACAS 003

[C](#). 2008 CARACAS 647

[D](#). 2007 CARACAS 2330

[1](#). This message is sensitive but unclassified, please treat accordingly.

[2](#). (SBU) Summary. On March 16, the National Assembly of the Bolivarian Republic of Venezuela (BRV) approved revised lists of products eligible for importation using the official exchange rate. Imports at the official rate of 2.15 BsF per US dollar versus the free market rate of approximately 6 BsF per US dollar are, in effect, heavily subsidized. The revision increases the number of products for which importers will be required to submit "certificates of non-production." Overshadowed by the economic measures announced by Chavez on March 21 (ref A), the revision of these lists likely has more to do with restricting access to cheap dollars than the protection of locally produced goods. The effect of shifting more imports from the subsidized official rate to the free market rate will have strong inflationary impact. End Summary.

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What is CADIVI and its Dollar?  
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[3](#). (SBU) CADIVI is the BRV agency that controls the buying and selling of foreign currency at the official exchange rate. The fixed official exchange rate, last revised in March 2005, is highly overvalued at 2.15 bolivars (BsF) to the dollar. At present, importing products using CADIVI dollars costs the importer approximately sixty-four percent less than what it would using the parallel exchange rate. (Note: The parallel exchange rate is used by individuals and companies without access to CADIVI dollars to exchange their BsF to dollars. The current parallel exchange rate is 6 BsF to 1 USD. End Note.) As CADIVI dollars are cheap, demand for access to these dollars far exceeds what the BRV is willing and able to make available in the face of an economic crisis caused by the drop in world oil prices. Businesses have repeatedly complained about delays in receiving CADIVI authorizations and possible corruption by officials within the Agency (ref D.)

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The Product Lists  
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[4](#). (SBU) The newly published CADIVI lists reflect the move of many products from the preferred List One (not requiring a certificate of domestic non-production prior to importation) to List Two (requiring a certificate of non-production prior to importation.) Broadly, List One is much smaller than

previous lists. From our review of the hundreds of products listed in the decree, List One continues to cover basic products such as wheat, flour, certain chemical components and additives, medicines, vitamins, medical supplies, basic foodstuffs, wool, cotton, certain types of heavy machinery and electronic products. List Two now includes a wider range of items than previous lists, such as farm animals (horses, hens, turkeys, etc.), foodstuffs (i.e., sweet corn, certain types of fish, pears, carrots, limes, etc.), exotic building or furniture materials (rattan, bamboo), etc. Inclusion on List Two does not signal automatic refusal of CADIVI dollars, but companies seeking to import items from List Two face additional, lengthy bureaucratic obstacles, including a cumbersome process to certify non-production.

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COMMENT  
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15. (SBU) The release of revised lists of items eligible for CADIVI dollars is not surprising in light of the BRV's ongoing money crunch. The reduction of List One and expansion of List Two will probably lead to further reductions in CADIVI authorizations as more importers face another bureaucratic hurdle in trying to access cheap dollars for many products. As we have seen with the recent cut in the maximum allotment of CADIVI dollars for travel (ref B), the changes in the CADIVI lists will largely impact the middle and upper-classes and companies that cater to them rather than Chavez's base. The decree was released quietly several days before Chavez's dramatic announcement of his economic "package." We expect more such actions taken by the government that will inevitably have a further impact on

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inflation.  
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